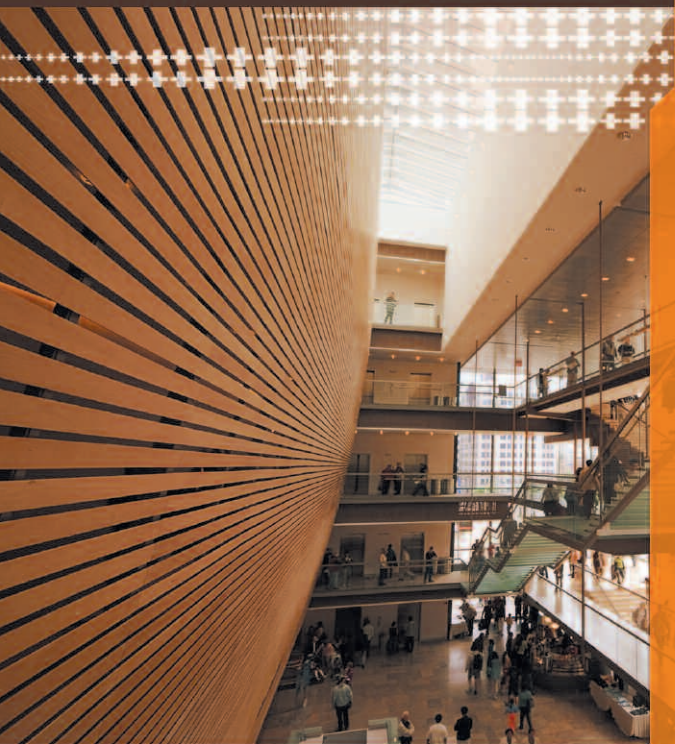
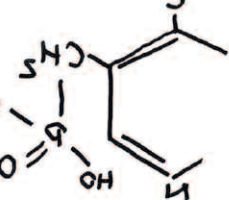


Charitable giving and
philanthropic foundations

HOW TO USE YOUR ASSETS TO MAKE THE WORLD A BETTER PLACE





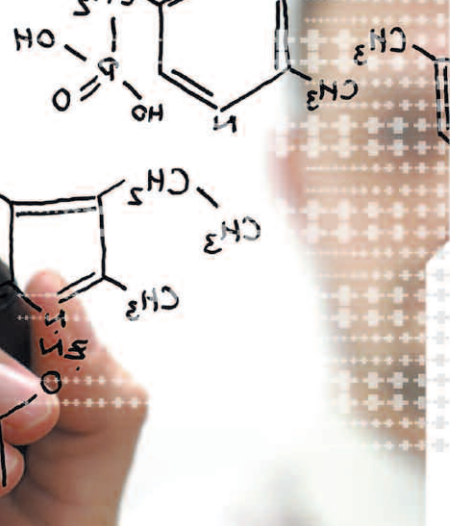
A hand-drawn chemical structure of a substituted alkene, similar to the one in the top left, but partially obscured by a hand holding a black marker. The hand is positioned on the right side of the page, with the marker tip pointing towards the structure.

AN INVITATION TO CHANGE THE WORLD INTEGRATING PHILANTHROPY AND FINANCIAL PLANNING

A person's success is traditionally associated with his or her financial prosperity. For many people, however, the true measure of success is the beneficial influence on society that this prosperity allows them to exercise.

The contribution of each member of the community to the common good, through support of the arts, health care, education and many other causes, is one of the basic principles on which our society is built.

This principle is reflected in the Canadian tax system. When an individual pays income taxes, part of this amount is directed by the government to social development initiatives. This contribution can of course meet only a part of society's needs, which remain immense. For this reason our tax system also recognizes each taxpayer's right to contribute

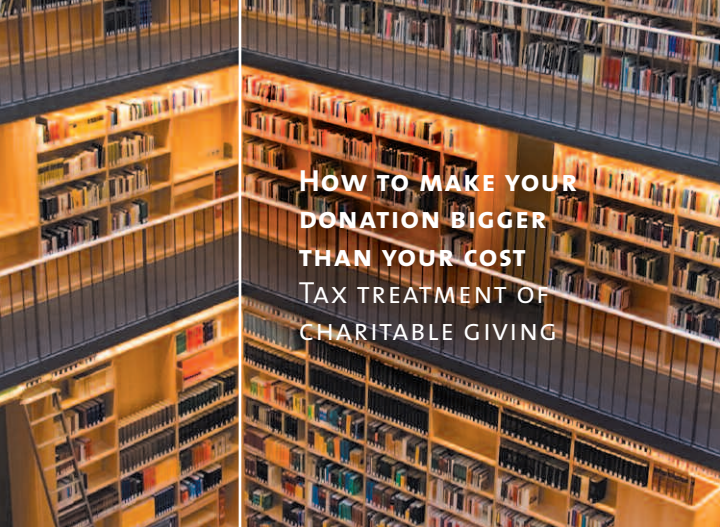


personally to causes of his or her choosing, and to this end, includes various provisions to compensate such personal contributions by reducing the individual's tax burden.

This brochure explains how you can use these tax benefits to incorporate your deepest values in your overall financial planning. It sets out the respective advantages of the two main approaches to philanthropy available to you:

- * **Making a donation** to a recognized charity;
- * **Setting up a foundation**, public or private, to structure a lasting contribution to a charitable organization or organizations.

We invite you to review this information and discuss with your Investment Advisor the strategy and tools best suited to your philanthropic objectives.



HOW TO MAKE YOUR DONATION BIGGER THAN YOUR COST TAX TREATMENT OF CHARITABLE GIVING

Charitable giving is encouraged in Canada by highly advantageous tax treatment. In this way our governments recognize each taxpayer's right to contribute to social development by assuming a share of responsibilities that would otherwise be left entirely to the public sector.

The federal tax system, with which the provincial and territorial systems are harmonized, encourages philanthropy in two main ways:

- * by a **tax credit** applicable to the full amount of a donation to a registered charitable organization or philanthropic foundation;
- * by an **exemption from capital gains tax** for a gift of securities, such as publicly traded stocks or mutual funds, to such a charity.



WHAT CAUSES WILL YOU SUPPORT?

Though philanthropy brings major tax benefits, it is first and foremost a means for you to express your values by advancing causes dear to your heart.

You should choose these causes with the same care you bring to planning your investments. What values do you wish to further – human dignity, freedom, respect, diversity, knowledge, creativity, innovation, family life, etc.? Through what kinds of endeavour do you wish to support them – the arts, rights of the handicapped, support for young people, health care, the struggle against violence, help for the homeless?

Answering these questions will be part of the process of incorporating philanthropic action into your overall financial planning.



Canadian tax legislation also makes favourable provision for other specific cases, such as donations of options and of certain other types of assets. What these provisions add up to is that the net cost to the donor can be much lower than the amount ultimately made available to the beneficiary.

The exemption from capital gains tax can bring an even greater tax benefit to an investor whose portfolio includes common stocks or mutual funds that have increased in value since their acquisition. If you sell such securities in order to donate the proceeds, half of the resulting capital gain will be taxed in your hands – reducing the amount available to the charity. Instead, the securities may be donated directly to a charity, completely exempt from capital gains tax,

DONATING SECURITIES: A SIGNIFICANT ADVANTAGE

EXAMPLE:
AN INDIVIDUAL WISHES TO USE
\$100,000 OF HIS OR HER ASSETS
TO MAKE A DONATION TO A CHARITY

A. VALUE OF ASSETS AVAILABLE FOR GIFT
B. BASE COST OF SHARES
C. CAPITAL GAIN (A – B)
D. TAXABLE CAPITAL GAIN (50% OF C)
E. TAX ON SALE OF SHARES (0.45 X D)
F. AMOUNT AVAILABLE TO CHARITY (A – E)
G. TAX CREDIT FOR DONATION (0.45 X F)

* Assuming a 45% marginal tax rate.

** Gift of proceeds of disposition remaining after paying the capital gains tax.

and the net value to the beneficiary organization will be significantly greater as a result.

This special treatment opens the door to a wide range of scenarios, particularly for tax planning and estate planning. This is why it is important to incorporate your charitable giving into your overall financial planning.

Note that, for individuals, the maximum charitable donation for which a tax credit can be claimed in a given year is 75% of net income (100% in the year of death or the previous year). Donations for which a tax credit is not claimed in the year the gift is made may be carried forward up to five years, subject to the 75% of net income annual ceiling.

Donor sells stock worth \$100,000 and remits the net proceeds to the charity **

Donor directly transfers stock worth \$100,000 to the charity

Option 1	Option 2
\$ 100,000	\$ 100,000
\$ 40,000	\$ 40,000
\$ 60,000	\$ 60,000
\$ 30,000	N/A
\$ 13,500 *	0
\$ 86,500	\$ 100,000
\$ 38,925 *	\$ 45,000 *



DONATING TO A CHARITY

FOR IMMEDIATE SUPPORT
OF A SPECIFIC CAUSE

A direct donation to a charitable organization allows you to provide immediate financial support to the cause of your choice and to benefit in return from an appreciable tax saving.



A gift, or donation, is the most direct way to support an organization working for a cause you care about.

The receiving organization gains immediate access to the funds you contribute. You, in return, are entitled to a corresponding tax credit (subject to the limits noted on the previous page) and, where applicable, to an exemption from capital gains tax.

A donation can take a variety of forms:

- * a cash payment
- * securities (such as stocks or mutual funds)
- * a testamentary bequest
- * a life insurance policy
- * real estate assets
- * a gift annuity
- * a registered savings plan (with the charity designated as beneficiary).

Whatever the form, your tax credit will generally be based on the fair market value of the transferred asset.

MAIN CHARACTERISTICS OF DIRECT GIVING

- immediate full payment of the donation to the charity
 - no minimum in most cases
 - administrative simplicity
 - direct relationship with the charity
 - eligibility for tax credit and capital gains exemption
-



THE PHILANTHROPIC FOUNDATION

FOR SUSTAINED SUPPORT
OF ONE OR MORE CAUSES

A philanthropic foundation is a legal entity that can provide long-term support to causes you wish to advance.



Unlike a simple charitable donation, a philanthropic foundation is a structure put in place to ensure continuing support to the charity or charities of your choice.

With appropriate planning, the foundation's work can continue after the death of the person who established it, through transfer of responsibility to his or her estate.

In short, a foundation is a way to leave a lasting mark on society by means of a contribution that goes well beyond simply making a donation to a charitable organization.

There are two main types of foundations:

- * a **public foundation**, which can serve as your vehicle for a "donor-advised fund"; and
- * a **private foundation**.

Though these two structures are means to the same end – support of a charity or charities – they have quite different characteristics. We summarize them here.

Your Investment Advisor will be pleased to explain them to you in greater detail.



THE PUBLIC FOUNDATION

Through a public foundation, you can create your own charitable giving fund without the cost and administrative complexity of a private foundation.

A public foundation, sometimes called a community foundation, is an organization that receives donations from individuals and, over the years, administers and distributes the proceeds of these donations in accordance with the donor's instructions.

A public foundation manages pooled assets from different donors. However, each donor is entitled to specify the investment vehicles used for the assets he or she has donated and to recommend the charities to which the fruits of the investment will be directed.

In other words, a donor has his or her own charitable fund within the public foundation. The donor can choose a name for this fund and can opt to have gifts to eligible organizations made in that name. This type of fund is called a *donor-advised fund*.

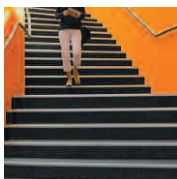
The law requires that public foundations distribute at least 3.5% of their invested assets annually to charitable organizations. At the beginning of each year, the donor is informed of the amounts available in his or her fund for donation to a charity or charities and is invited to recommend beneficiary organizations.

A fund within a public foundation is much simpler to establish and administer than a private foundation, since the costs of administration and regulatory compliance are spread among many donors. Like a private foundation, however, this is a vehicle for a lasting charitable contribution, because the assets you have transferred can continue to grow. This means that over the long term you can contribute more to your chosen fields of philanthropic action.

HOW IT WORKS

Here is how the public foundation option generally works (with variations depending on the foundation).

- * You make an initial donation of at least \$25,000. Subject to the limits noted on previous pages, this gift entitles you to a tax credit for the year in which the donation is made. In addition, if your donation is in the form of securities (such as stocks or mutual funds), it will be exempt from all capital gains tax. Note that the assets you transfer are no longer yours. They are vested irrevocably in the foundation.



- * You name your fund – for example the *John Doe Family Fund*. Each time a donation is made to a charity in accordance with your instructions, the name of the fund will be cited as the donor. You may also opt to remain anonymous.
- * You choose the investment vehicles to be used in your fund and recommend beneficiary organizations.
- * You may appoint successors. To have your philanthropy survive you, you can appoint a child or other family member as successor, establishing at the outset an intergenerational tradition of philanthropy.
- * Your fund is then managed on an ongoing basis by an established portfolio manager.
- * At the beginning of each year, you are informed of the amounts available for donation to charities, taking into account the growth of the investments and applicable management fees, and are invited to make recommendations for their distribution.
- * Your recommendations may be standing recommendations, or may be reviewable from year to year. In the former case, the foundation will apply your initial instructions each year without consulting you anew. In the latter case, the foundation will ask you each year to designate the organizations to which you recommend donations from your fund.
- * You may make further donations to the foundation over the years if you wish.

MAIN CHARACTERISTICS OF PUBLIC FOUNDATIONS

- initial minimum gift of \$25,000
 - additional gifts generally subject to a minimum
 - administrative simplicity
 - option of consolidating all your giving in a single fund supporting a variety of organizations
 - option of recommending beneficiary organizations
 - option of naming your charitable gift fund, or remaining anonymous
 - option of appointing a successor who will pursue the work of the fund by recommending charities to receive the fund's donations after your death
 - eligibility for tax credit and capital gains exemption
 - annual distribution of at least 3.5% of the fund's invested assets to eligible organizations
 - administrative and portfolio-management fees
 - in most cases, the annual administration fee starts at 1% and decreases as the fund assets increase
 - portfolio-management fee depends on the investment vehicles chosen.
-



THE PRIVATE FOUNDATION

A private foundation is a legal entity you put in place in order to structure, consolidate and optimize your philanthropic action. You define the smallest details of its management and operating parameters, ranging from the foundation's investment policy to the selection of beneficiary organizations.

While public foundations are accessible to many investors, private foundations are tailored to the needs of individuals with assets sufficient to justify the use of a highly personalized philanthropic strategy.

Individuals in this position will find private foundations more attractive because of their greater flexibility. The founder sets all the policies of a private foundation, which means that this approach better lends itself to more complex estate planning requirements. In addition, private foundations tend to have a higher profile with

charitable organizations, giving them a correspondingly greater influence in the community.

A deed of trust (also called a trust indenture) is used to create the foundation, which receives the funds the donor wishes to allocate to philanthropy. The foundation's funds are then managed by a board of trustees, or by professional managers under the trustees' supervision.

The donated assets are transferred irrevocably to the foundation and administered separately from the rest of the donor's portfolio. Income and gains from the donated assets are used exclusively to support eligible charities, with payments made at a frequency established by the board of trustees to the charities specified by the foundation's statutes.

The law requires that a private foundation distribute at least 3.5% of its invested assets annually to eligible charities.

Setting up a private foundation is complex, and things like the composition of its board of trustees, the frequency and content of board of trustee meetings, and the foundation's annual reporting are subject to specific legal requirements.

Fortunately, National Bank Financial can provide a turn-key service that takes care of the fiduciary structure and regulatory requirements of a private foundation, as well as the management of its portfolio and the distribution of its donations.



This service is provided in collaboration with your charitable giving expert, if you have one, and our partner National Bank Trust. If you do not have a charitable giving expert, our colleagues at National Bank Trust will be pleased to recommend a recognized specialist. As part of this service, the charitable giving expert undertakes the preparatory work and drafts the foundation's statutes. National Bank Trust specialists then assume the foundation's ongoing administrative work, while your Investment Advisor and our portfolio management team devote their energies to managing the foundation's assets.

HOW IT WORKS

Here is how this turnkey service operates.

- * National Bank Trust works with a charitable giving expert to create your private foundation by deed of trust. If you don't have a charitable giving expert, National Bank Trust will refer you to one. This expert organizes the preparatory meetings, draws up the deed and registers it with the tax authorities. You confer with your Investment Advisor and the foundation's trustees to define the investment policy that will govern the management of the foundation's portfolio.
- * The funds that you have decided to donate are then transferred to the newly established foundation's account. This account will be held with National Bank Financial, which provides custodial services and manages the foundation's assets. Subject to the limits described on previous pages, your donation to your foundation entitles you to a tax credit for the year in which it is made. In addition, if your donation is in the form of securities (such as stocks or mutual funds), it will be exempt from all capital gains tax.
- * The foundation's portfolio will be managed by your Investment Advisor and/or our portfolio management team in accordance with the investment policy and guidelines set out by the board of trustees as described above.

* National Bank Trust assumes the ongoing administration of your foundation in accordance with your instructions. Among other responsibilities, this service will include:

- meetings and communications with co-trustees and other interested parties (such as government authorities, donees and your Investment Advisor)
- receipt and preliminary analysis of requests for gifts
- accounting
- preparation of government forms required by law
- the secretarial work of the foundation – written communications, notices of meetings, holding of meetings (with option to delegate to the professional managers), drafting of meeting agendas and minutes of decisions, record keeping
- consulting services and all expertise required for administration of the foundation, in particular its legal and tax compliance (calculation of annual distribution required by law, etc.)
- required payments (gifts, fees, other invoices) and actions required to fund them
- production of statements
- custody and archiving of documents.



MAIN CHARACTERISTICS OF A PRIVATE FOUNDATION

- because of its relative complexity and inherent costs, this structure is best suited to individuals able to donate at least \$500,000 of cash or securities to their foundation
- set-up fee of \$2,500 or more, depending on complexity, payable to the charitable giving expert that handles the initial set-up work
- administration and portfolio-management fees
 - annual administration fee of 0.6% of the foundation's assets (minimum \$5,000), decreasing as the value of these assets increases
 - portfolio-management fee that will vary depending on investment approach and investment vehicles chosen
- extensive personalization of management and philanthropic choices
- consolidation of all the donor's philanthropic endeavours, and support of a variety of charitable organizations
- increased flexibility, accompanied by greater administrative complexity
- easier integration with complex estate planning
- direct relationship with beneficiary organizations
- eligibility for tax credit and capital gains exemption
- annual distribution of at least 3.5% of the foundation's invested assets to eligible organizations.



PUBLIC AND PRIVATE FOUNDATIONS

A COMPARISON

TAX CONSIDERATIONS

PUBLIC FOUNDATION

Donor receives a receipt for charitable donation.

Assets transferred are no longer the donor's, and are irrevocably vested in the foundation.

Donor can claim a tax credit for a donation amount up to 75% of his or her annual income (100% in the year of death and the preceding year). Donation amounts in excess of this limit can be carried forward for up to five years, subject to the annual ceiling of 75% of annual income.

When the donation is in the form of securities (such as stocks or mutual funds), capital gains are not taxed.

PRIVATE FOUNDATION

Donor receives a receipt for charitable donation.

Assets transferred are no longer the donor's, and are irrevocably vested in the foundation.

Donor can claim a tax credit for a donation amount up to 75% of his or her annual income (100% in the year of death and the preceding year). Donation amounts in excess of this limit can be carried forward for up to five years, subject to the annual ceiling of 75% of annual income.

When the donation is in the form of securities (such as stocks or mutual funds), capital gains are not taxed.

SET-UP PROCESS

PUBLIC FOUNDATION

The foundation, but not an individual's fund within it, must be registered with the Canada Revenue Agency.

A donor can create a fund with a relatively modest initial donation.

With the help of his or her Investment Advisor, the donor chooses the investment vehicles to be used in his or her fund. The management of these vehicles is delegated – investment decisions are made by the manager of the vehicle, not the donor. The donor may subsequently modify the choice of investment vehicles.

No legal fees for establishment of a fund in a public foundation.

Fund may exist in perpetuity.

A fund named by its creator can be recognized in perpetuity in the public foundation's annual report.

PRIVATE FOUNDATION

The private foundation must be recognized as a registered charity by the Canada Revenue Agency.

Creation of a private foundation requires a significant initial stake.

Donor has the option of participating in the foundation's investment decisions.

Fees of \$2,500 or more paid to a charitable giving expert for set-up work.

Foundation lifespan depends on intentions of the estate and succeeding generations.

A private foundation may establish a high public profile, resulting in the foundation exercising considerable influence in the community.

MANAGEMENT OF INVESTMENTS

PUBLIC FOUNDATION

The applicable investment policy is that of each managed vehicle that has been selected by the donor with the help of his or her Investment Advisor.

PRIVATE FOUNDATION

Investment policy is established by the foundation's board of trustees, whose members may include the donor. The trustees administer the investments themselves or assign professionals to do so and evaluate their work. The Investment Advisor plays an important role in this process by helping the foundation choose approaches and vehicles appropriate to its objectives.

ALLOCATION OF DONATIONS

PUBLIC FOUNDATION

The foundation is required by law to distribute at least 3.5% of its invested assets annually.

PRIVATE FOUNDATION

The foundation is required by law to distribute at least 3.5% of its invested assets annually.

The donor may participate in the gift allocation process or delegate full responsibility to the foundation.

All decisions about donations are made by the trustees, who may include the donor.

A donor who chooses to take part in the gift allocation process recommends beneficiary organizations. The foundation will generally comply with recommendations of registered charities, but it is not required to do so. By transferring assets in return for a tax credit, the donor has relinquished control of the transferred assets.

Donations are limited to the sectors and fields specified in the foundation's statutes.

ADMINISTRATION

PUBLIC FOUNDATION

Bookkeeping, accounting, tax returns, funds management, allocation of donations to charities and due diligence are included in the fund's administration fee.

The fund is subject to an administration fee and a portfolio-management fee. The administration fee rate starts at 1% and decreases as the value of the fund's assets increases. The portfolio-management fee depends on the investment vehicles chosen.

PRIVATE FOUNDATION

Bookkeeping, accounting, tax returns, funds management, allocation of donations to charities and due diligence are the full responsibility of the trustees. They mandate National Bank Trust to perform these functions, in exchange for the administration fees described below.

The administration fee and the portfolio-management fee are separate. The administration fee rate starts at 0.6% (minimum \$5,000) and decreases as the value of the foundation's assets increases. The portfolio-management fee depends on the investment approach and vehicles chosen.



**FOR A BETTER WORLD
ONE DONATION
AT A TIME**

We can help you make a difference.

If you wish to put your financial assets to work for causes you care about, bring the question up with your National Bank Financial Investment Advisor.

Your Investment Advisor will explain in detail how you can integrate your charitable contributions with your overall financial planning. He or she will pay careful attention to your philanthropic objectives, help you understand your options, and accompany you through the steps of the process.

In this way you can not only start using your financial assets to make the world a better place, but do so in a manner that is optimal for your financial, tax and estate planning.





MANAGING
THE WORLD'S
MOST IMPORTANT
INVESTMENTS:

YOURS!

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